FURTHER EDUCATION COMMISSIONER ASSESSMENT SUMMARY

Telford College of Arts and Technology

JANUARY 2016

Assessment

Background

Telford College of Arts and Technology (TCAT) is a medium sized general FE College based in the Telford and Wrekin Local Authority area. The College's offer is exclusively vocational. The college delivers a range of courses for full time and part time students, both School leavers and Adults and also offers courses in Higher Education including HNDs, HNCs, and Foundation Degrees. Customised training solutions, short courses and a substantial apprenticeship programme are provided for employers.

The 2014/15 funding audit identified significant issues within the college's direct employer engagement provision, including the incorrect premature claiming of apprenticeship achievements in 2014/15. The College was issued with a Financial Notice of Concern in November 2015.

As a result, it was decided the FE Commissioner should assess the position of the college in line with the government's intervention policy set out in Rigour and Responsiveness in Skills.

The FE Commissioner's report is intended to advise the Minister and the Chief Executives of the funding agencies on;

- The capacity and capability of the College's leadership and governance to secure a sustained financial recovery within an acceptable timetable

- The capacity and capability of the College's leadership and governance to secure a sustained recovery for the quality of provision, within an acceptable timetable

- Any actions that should be taken to deliver a sustained financial recovery within an agreed timetable (considering the range of interventions set out in Rigour and Responsiveness in Skills)

- How and when progress should be monitored and reviewed taking into account the Agency's regular monitoring arrangements

Assessment Methodology

Two FE Advisers carried out an assessment during the period 8th to 10th December 2015. They received in advance extensive briefing information provided by the Skills Funding Agency and the Education Funding Agency and reviewed a wide range of College documentation. They interviewed Corporation members, managers and staff, as well as representatives of the SFA, EFA.

The Role, Composition and Activities of the Corporation

The Chair of the Board of Governors took up post in January 2015 following the retirement of the previous Chair. The Board includes representation from business, local government, the community and elected staff and student members. Members are broadly well skilled and a good number have financial expertise. However, the Board might usefully review and refresh its membership to ensure that its knowledge and experience is up-to-date and that there is sufficient capability and capacity to drive the college forward to improve both financial health and the quality of the student experience.

The Corporation is advised by a committee structure. Recently the frequency of meetings of the Finance and Resources and the Quality and Standards Committees has increased to oversee more closely the financial recovery of the college and the quality of college operations. Notwithstanding this, although Board minutes demonstrate a degree of testing and challenge data is not adequately disaggregated to an appropriately detailed level, nor are comparators to national standards readily accessible to enable the formulation of clear judgments about performance.

To assure progress the Corporation would benefit from the identification and implementation of a set of clear and concise KPI's to enable them to monitor and assess performance. This should include both financial and quality measures and facilitate comparison to national standards where appropriate.

The Senior Management Team

The Executive and Senior Leadership Teams comprise the Principal, the Deputy Principal Curriculum and Students who line manages the Directors for 14-19 and SEND Education, Adult Skills, and Quality and Higher Education, the Vice Principal Finance and Resources with line management responsibility for the Director for Resources and Marketing and the Director of MIS and Finance, and the Director for Human Resources who reports directly to the Principal.

The college is very reliant on the executive and this poses a high degree risk. Most of the middle managers are new in post and lack the necessary experience to deputise should any one of these be incapacitated or unable to undertake their duties. The risk is compounded because the executive have a tough agenda to resolve the financial, quality and management information issues against a backdrop of a newly formed college structure. This situation poses a high risk for the college and we are not confident that the Principal and their team can address the long-term needs of the College and provide the stability the organisation needs as the area review process begins.

The Board should therefore put in place arrangements to ensure there is sufficient capability and capacity to manage and implement college operations and mitigate risk.

Finance

The College has experienced a rapid decline in its financial health in recent years. There have been three consecutive years of operating deficits with a further operating deficit being forecast for the current financial year. Historically the college was a very large national provider of Train to Gain, and at its peak generated c£16m of income annually from this source, representing 40% of its total turnover at that time. When the Train to Gain programme was withdrawn at the end of 2011/12, the college believed they could convert much of the activity into Apprenticeships. This was not as successful as the college had hoped it would be, and whilst income reduced significantly much of the cost base that supported the Train to Gain contract remained in place. The college did eventually carry out two staff restructures in 2014/15 saving over £4m from the payroll. However, this action was too late and has led to the current very weak financial position, with very poor liquidity, and the college now being reliant on third party support to continue its day- to-day operations.

The College has undertaken significant staff restructuring in the 2014/15 financial year to endeavour to reduce costs in line with income reductions to address its financial issues. However, staff costs remain high for the amount of provision on offer.

Over optimistic forecasting has been a core problem for the college in its recent financial decline. The college has suffered from poor management information and the management team has not been able to identify properly the true position of the college until far too late in the academic year. This has resulted in delays in taking appropriate actions to try and address in year issues

One of the major weaknesses in budget planning and monitoring has been the apparent disconnect between the curriculum plan and the financial plan. In 2014/15 it appears that the budget setting process was very much a top down process, with little direct correlation to the curriculum plan. Unfortunately there is no clear evidence that the college has resolved this issue with the curriculum and financial planning process for 2015/16 and there remains a serious concern that the culture of over optimistic forecasting has not been addressed.

The draft financial recovery plan at the moment is basically the three year financial forecast. It is not a comprehensive single document, which links the key strategies required by the college to achieve financial recovery, with the financial plan and there is no supporting action plan with milestone targets against which progress can be monitored. There is also a strategic plan recently updated by the college, which does have a supporting action plan, but this mainly repeats the KPMG recommended actions from their review of the college about a year ago. It does not focus on and demonstrate clearly how financial recovery will be achieved.

The curriculum and business planning process for 2016/17 will start just after Christmas and will be led by the Director of MIS and Finance. Based on her explanation of the process she has planned, the robustness of the curriculum planning and the linkage into the resultant budget should greatly improve for the 2016/17 budgets and as a result there will be a greater understanding of the basis for the budget and thus ownership by budget holders.

Although the assumptions do appear more reasonable, than may have historically been the case, there are some major risks contained within the financial plan. Growth targets are unrealistic, given the continuing decline in the local demographics and the college's recent history. The college are assuming they will be able to increase its market share of 16-18 year olds, for example, by approximately 10% and increase its adult apprentice's income by almost 50%.

The college also needs to ensure it is monitoring its cash flow very closely as there are significant risks associated with the achievement of the cash targets set out in the financial plan. There is a risk that there will not be sufficient funds to meet the needs of the college over the coming months.

The current VP Finance and Resources has been in post for 3 months. He is an experienced qualified FE finance professional having previously been at two FE colleges in senior roles in recent years. The VP Finance and Resources role was left vacant for over a year. The post was covered by the Principal and Chief Executive in addition to his other responsibilities. Whilst the board did challenge the Principal on filling this vacancy sooner, the Principal gave his assurances that he was able to cover both roles effectively. It appears that in hindsight this was an error of judgment, and the reality is that the Principal continued to operate more in his VP Finance role than the Principal/CEO role during this period. It is very likely that this has hampered pace with some of the changes that have been required.

The Finance team are considered to be strong by the new VP Finance and Resources, in terms of completing processes and procedures, and maintaining the key financial controls. This appears to have been supported by a recent internal audit review of key financial controls.

Overall, however, the monthly financial information is difficult to follow, as the reports have historically contained several pages of very detailed tables of numbers. The major issue has been the accuracy of forecasting the likely outturn position. There has clearly been a culture in the college of over optimism. A big factor has been the poor quality of available MI, particularly in relation to the adult skills provision. There are clear intentions from the recently appointed VP Finance and Resources to improve this as a priority.

The October management accounts contained a much simpler one page summary of the Income and Expenditure, supported by a balance sheet, cash flow forecast and commentary. It is certainly easier to understand, but is probably now too brief. This is recognised by the VP Finance and he intends to develop the monthly management accounts over the coming months.

A new MI system has recently been implemented, and is now live for the current academic year. At the time of our visit the college were not in a position to provide the planned range of MI reports as the progress with this has been delayed due to the need to focus on the learner audit. The college do recognise that this is an immediate priority, in order to obtain a proper understanding of their true performance against both financial and non-financial measures.

It appears that the process used by the College to set its 2015/16 budget did not accord with best practice, with the absence of a curriculum plan that links directly to the budget. Without such targets managers cannot have ownership of budgets and therefore are not being held accountable for budget overspends. The curriculum planning for 2016/17 will be led by the Director of MIS and Finance. When asked about the process, she described in detail a plan that is very much in line with good practice for the sector. This will start with meetings between members of the MIS department and the curriculum management to develop a detailed curriculum plan. The individual curriculum plans of each curriculum department will then be subject to a challenge from the Senior Leadership Team. When the curriculum plan is confirmed the relevant figures relating to income and staff costs will be fed directly into the College's financial budget.

The College's auditors have raised some major issues of concern, both in terms of control and in the light of the fact that previous issues relating to weaknesses in forecasting have not been adequately addressed.

Quality Improvement

The college was last inspected May 2010 and was awarded a grade two – as such it is likely that inspection will take place during 2015/16, not least given declining success rates in 2013/14. The college was previously assessed as grade one in May 2006.

The College quality framework has recently been strengthened by the introduction of quality co-ordinators. They are beginning to monitor learner punctuality, attendance and withdrawal at a local level so that variance from expected standards can be identified quickly and rectified. Managers welcome the support afforded by the co-ordinators but report that some clarification of the role is still needed to ensure consistency.

The College self-assessment report is mainly accurate but there is some confusion about the way in which data is reported and information to facilitate comparison to the sector as a whole is lacking. The Board would benefit from more precise and accessible data to enable them to monitor college performance against national standards at course, level of qualification and age of learner. The Board should also make certain that the college quality improvement plan is robustly monitored and that sufficient evidence supports claims of improvement.

In 2015 an audit of college apprenticeship provision revealed systemic poor management practices. Managers failed to comply with college process and procedures for recording learner achievement and claims were made without the requisite supporting evidence. Action to rectify the systemic problems in this area of provision was not implemented sufficiently quickly and it was not until September 2015 that a new Director of Adult Skills took up post. It is pleasing to see that strong systems and procedures are now in development and the scrutiny of apprenticeship data is diligent.

Apprentices make up approximately 22% of college provision and workplace learners a further 23%. Poor management of apprenticeship provision has therefore resulted in a significant decline in overall and timely achievement to a low level. In 2014-15 apprenticeship overall success rates deteriorated from 72% in the previous year to 36% and timely completions from 57% to 16%. Feedback from employer surveys also shows a decline in satisfaction by 10% over the last year.

Feedback from student surveys contains praise with regard to the quality and quantity of college resources but also references some disquieting practices including teachers regularly arriving late for class, frequent changes to timetables, classes where the students sit at computers for most of the day rather than learning through practice and of students being set targets which they describe as 'pointless because no one checks them'. A number described teachers as 'stressed'.

In the last few months, following the college restructure and the uncertainty and change this has generated, staff report they feel ‘more engaged in the college’. They like the fact that meetings take place more regularly and welcome the improved communications. Business and teaching staff report working together more closely and the breaking down of ‘discrete silos’. The introduction of quality co-ordinators and the strength they add in supporting more students to attend college is well received. Staff sickness has declined and is now around that of the sector.

Conclusions

The College has experienced a challenging time over the last three years as it has sought to reprioritise its provision following the end of Train to Gain. There are currently numerous issues facing the college. Work on the financial recovery plan has started, but has had to be already updated due to a further worsening of the 2014/15 financial outturn. The latest financial plan will now require the college to seek a substantial loan from BIS to continue operations.

Two of the three Executive team were appointed approximately 18 months ago, both through internal promotions. During that time the position of the college has significantly deteriorated, and whilst many actions have been implemented, there is still much to do. There are therefore concerns around the capacity of the Executive team to fully ‘bottom out’ the true position of the college and address all of the issues in a timely manner. As we are not confident in the Board and the executive / management team to affect a recovery plan for the College without support it is proposed that the College be put into Administered College status.

While the College is aware of its weaknesses and has already started to have informal discussions with the University of Wolverhampton and City of Wolverhampton College about collaboration or merger the national programme of area-based reviews must be seen as the driver of change and the opportunity to use it to work towards a future solution for the College. The area-review for The Marches and Worcestershire will encompass the College and it should participate fully in this process.

The Executive should receive some external support as recently recommended by the governors. The board should monitor progress closely to assure themselves that the college accelerates its recovery and improvement.

The FE Commissioner will continue to monitor progress on a regular basis.

Recommendations from Further Education Commissioner

The College should be put into Administered College Status.

In addition:

1. The Board should start to put in place arrangements to ensure there is sufficient capability and capacity within the Executive to manage the college's operations going forward and to mitigate risk.

2. In support of this the Board should clarify the roles and responsibilities of the management team providing development support as appropriate and minimising the risk of over reliance on a small number of key managers.

3. The College should refresh members of the governing body in line with good practice.

4. The College should urgently implement the planned changes in the management information provided, so that it is accessible, timely, relevant and in a format that is useful to both management and governors.

5. Governors should be provided with a data dashboard and a set of clear KPIs.

6. The College should implement more robust controls around monitoring and forecasting of both financial and non-financial data.

7. There should be robust challenge on the key assumptions in the recovery plan, and clear contingency plans developed. The recovery plan should be a single coherent document with clear strategies, supporting actions and milestone targets.

8. There needs to be improvement in the link between curriculum and financial planning

9. Quality standards should be driven forward at course level and underperformance swiftly dealt with.

10. The College should actively participate in the national programme of area-based reviews covering the Marches and Worcestershire area and seek to progress potential strategic partnerships as part of its involvement.

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